

**RULES CLEARINGHOUSE**

Ronald Sklansky  
Director  
(608) 266-1946

Richard Sweet  
Assistant Director  
(608) 266-2982



David J. Stute, Director  
Legislative Council Staff  
(608) 266-1304

One E. Main St., Ste. 401  
P.O. Box 2536  
Madison, WI 53701-2536  
FAX: (608) 266-3830

---

**CLEARINGHOUSE REPORT TO AGENCY**

---

[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

**CLEARINGHOUSE RULE 99-121**

AN ORDER to repeal DFI-Sec 4.035, 9.01 (1) (a) 3. and (b) 4., 14. and 16; to renumber DFI-Sec 1.02 (18), 2.01 (3), 4.01 (4) (f), 4.05 (9) (d), 9.01 (1) (a) 4. and (b) 5. to 13., 15. and 17 to 20; to amend DFI-Sec 1.02 (1) (a) 1., 2.02 (9) (a) and (L), 2.04 (1) (a), 3.03 (3), 4.01 (3) (b) to (e), 4.01 (5) (a) to (d), 4.04 (5) (a) and (6), 5.01 (4) (a), 5.03 (5), 5.04 (1), 5.06 (6) and 7.06 (1) (b); to repeal and recreate 4.01 (3) (a), 4.05 (9) (a), (b), (c) and (e), 5.01 (3) and 5.02 (1) and (2); and to create 2.01 (3) (b), 2.02 (5) (d) 3., 4.01 (3) (f) and (g), (4) (f) and (g) and (5) (e), 4.05 (9) (L), 5.01 (4) (d), 5.03 (1) (o), 5.035 and 5.05 (11) (f), relating to securities broker-dealer, agent and investment adviser licensing requirements and procedures, securities registration exemptions, definitions and forms.

Submitted by **DEPARTMENT OF FINANCIAL INSTITUTIONS**

08-03-99 RECEIVED BY LEGISLATIVE COUNCIL.

08-31-99 REPORT SENT TO AGENCY.

RS:DF:jal;rv

**LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT**

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached

YES ☐

NO ☒

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached

YES ☒

NO ☐

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached

YES ☐

NO ☒

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS  
[s. 227.15 (2) (e)]

Comment Attached

YES ☐

NO ☒

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached

YES ☒

NO ☐

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL  
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached

YES ☐

NO ☒

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached

YES ☐

NO ☒

# WISCONSIN LEGISLATIVE COUNCIL STAFF

## RULES CLEARINGHOUSE

Ronald Sklansky  
Director  
(608) 266-1946

Richard Sweet  
Assistant Director  
(608) 266-2982



David J. Stute, Director  
Legislative Council Staff  
(608) 266-1304

One E. Main St., Ste. 401  
P.O. Box 2536  
Madison, WI 53701-2536  
FAX: (608) 266-3830

## CLEARINGHOUSE RULE 99-121

### Comments

**[NOTE:** All citations to "Manual" in the comments below are to the Administrative Rules Procedures Manual, prepared by the Revisor of Statutes Bureau and the Legislative Council Staff, dated September 1998.]

### 2. Form, Style and Placement in Administrative Code

- a. In s. DFI-Sec 2.01 (3) (b), delete the introductory clause and substitute "Pursuant to s. 551.22 (7), Stats.," and insert "qualifies for registration exemption status" before the period.
- b. In the treatment clause of SECTION 6, insert "(intro.)" after "(9) (L)" and insert "(intro.)" after "(L)" in the body of that SECTION.
- c. In s. DFI-Sec 4.01 (4) (f) and (g), the notation "par." should be replaced by the notation "sub."
- d. In s. DFI-Sec 4.05 (9) (b), (d) and (f), the word "must" should be replaced by the word "shall." Also, in par. (b), the phrase "be responsible for ensuring" should be replaced by the word "ensure." In sub. (9) (c) (intro.), the phrase "subd. (c) 1. and 2." should be replaced by the phrase "all of the following." Similarly, in par. (c) 1., the phrase "the information in the following subdivision paragraphs" should be replaced by the phrase "all of the following information." In par. (c) 2., the cross-reference should be "subd. 1." In sub. (9) (g) (intro.), the phrase "language below" should be replaced by the phrase "following language" and the notation "par (h)" should be replaced by the notation "par. (h)." Finally, in sub. (9) (h) (intro.), the phrase "one, two and three, respectively" is unnecessary and should be deleted.

e. In s. DFI-Sec 4.05 (9) (L), the word "Division" should be replaced by the word "division." This change should be made throughout the rule. Also, the word "section" should be replaced by the notation "s." [See also s. DFI-Sec 5.05 (11) (f).]

f. In s. DFI-Sec 5.01 (3), the material after the phrase "passing score" should read: "On either of the following examinations:".

g. In the first sentence of s. DFI-Sec 5.02 (1) and (2), insert "and" after "state." In the second sentence of sub. (2), insert "and" after "state." Also, all references to "chapter 551" should be replaced by references to "ch. 551, Stats." [See also s. DFI-Sec 5.035 (2).]

h. In s. DFI-Sec 5.035 (2), the word "shall" should be replaced by the word "does."

i. The subdivision renumbering contained in SECTION 34 cannot be accomplished in a single SECTION of a rule-making order. Instead, four SECTIONS (SECS. 34 to 37) should be created to renumber these provisions.

#### 5. Clarity, Grammar, Punctuation and Use of Plain Language

a. In light of the extensive redrafting of s. DFI-Sec 4.05 (9), for purposes of clarity, it is suggested that SECTIONS 19 to 21 be combined into a single SECTION which repeals and recreates s. DFI-Sec 4.05 (9) in its entirety.

b. In s. DFI-Sec 4.05 (9) (h) (intro.), how will disclosures be "displayed in a conspicuous manner"?

c. In s. DFI-Sec 5.03 (5), after the first "office," insert a comma.

# JON ERPENBACH

## STATE SENATOR

TO: Department of Financial Institutions Secretary Richard Dean  
FR: Senator Jon Erpenbach  
DT: October 18, 1999  
RE: Clearinghouse Rule 99-121

The Senate Privacy, Electronic Commerce and Financial Institutions Committee plans to hold a committee hearing on Clearing House Rule 99-121 relating to securities broker-dealer, agent and investment advisor licensing requirements and procedures, securities registration exemptions, definitions and forms.



State of Wisconsin  
Department of Financial Institutions

Tommy G. Thompson, Governor

Richard L. Dean, Secretary

September 20, 1999

✓ The Honorable Fred Risser, President  
Wisconsin State Senate  
Attn: Donna Doyle  
c/o Office of Senate Journal and Records  
1 E. Main St., Ste. 402  
Madison, WI 53702

The Honorable Scott Jensen  
Speaker of the Assembly  
Attn: Ken Stigler  
c/o Office of Assembly Records  
1 E. Main St., Ste. 402  
Madison, WI 53702

Re: Clearinghouse Rule 99-121/Administrative Rule-Making Notice and Report to  
Legislative Standing Committees Under secs. 227.19(2) and (3), Wis. Stats.


Gentlemen:

The Division of Securities of the Department of Financial Institutions hereby submits for filing with the Wisconsin Legislature pursuant to the administrative rule-making requirements of secs. 227.19(2) and (3), Wis. Stats., copies in triplicate of the Notice and Report required thereunder consisting of:

- (1) Proposed administrative rules in proposed final draft form as specified in sec. 227.14(1), Wis. Stats.
- (2) A Report as prescribed in sec. 227.19(3), Wis. Stats.
- (3) A fiscal estimate for the proposed rules.
- (4) A copy of the Clearinghouse Report of the Wisconsin Legislative Council relating to the published, public comment draft form of the proposed rules.

If you have any comments or questions regarding the above, please telephone me at 266-3414.

Very truly yours,

  
Randall E. Schumann  
Legal Counsel for the Division

RES:gat

Attachments

cc: Revisor of Statutes  
Joint Committee for Review of Administrative Rules  
Patricia D. Struck, Administrator, Division of Securities  
David Anderson, Executive Assistant, DFI



Division of Securities

PROPOSED FINAL ORDER OF THE  
DIVISION OF SECURITIES  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
STATE OF WISCONSIN  
ADOPTING, AMENDING AND REPEALING RULES

To repeal DFI-Sec 4.035, 9.01(1)(a)3., 9.01(1)(b)4., 14., and 16; to renumber DFI-Sec 1.02(18), 2.01(3), 4.01(4)(f), 9.01(1)(a)4., 9.01(1)(b) 5. to 13., 9.01(1)(b)15., and 9.01(1)(b)17. to 20.; to amend DFI-Sec 1.02(1)(a)1, 2.02(9)(a) and (L), 2.04(1)(a), 3.03(3), 4.01(3)(b) to (e), 4.01(5)(a) to (d), 4.04(5)(a), 4.04(6), 5.01(4)(a), 5.03(5), 5.04(1), 5.06(6), 7.06(1)(b); to repeal and recreate 4.01(3)(a), 4.05(9), 5.01(3), 5.02(1) and (2); and to create 2.01(3)(b), 4.01(3)(f) and (g), 4.01(4)(f) and (g), 4.01(5)(e), 5.01(4)(d), 5.03(1)(o), 5.035, and 5.05(11)(f) relating to securities broker-dealer, agent and investment adviser licensing requirements and procedures, securities registration exemptions, definitions and forms.

Pursuant to sections. 551.63(1), (2) and (3), 551.22(7), 551.23(11)(b), 551.23(18), 551.29(1), 551.32(4)(5) and (7), and 551.33(1), (2) and (6), Wis. Stats., the Division of Securities of the Department of Financial Institutions repeals, amends and adopts rules interpreting those sections as follows:

Nov 17<sup>th</sup>, 1999

Roll Call

	<u>Present</u>	<u>Absent</u>
Sen Erpenbach	X	
Sen Fitzgerald	X	
Sen Jauch		
Sen Plache	X	
Sen Rude		